Volume 13 No. 8, April 16, 2007

CHAIRMAN'S MESSAGE – Leonard Blocka

As we enter the spring season, dairy producers face the dual challenges of extreme weather conditions, and the need to carefully manage their quota as the dairy year comes to a conclusion.

Milk Control Board members want to thank the many producers who came out to the spring round of meetings and participated in the policy discussions. Your many positive comments and suggestions will be taken into account when the board undertakes its annual policy planning session in June. For those who were not able to attend, Gerry Gartner will provide a brief overview of the information presented in this edition of the Update. If people have any questions or require further elaboration on any issue or concern, please feel free to contact the office.

As the presentations indicated, the dairy industry continues to grow and prosper despite the many challenges and constraints placed upon it. Foremost among these is the need to develop a new method for pricing fluid milk in the Western Milk Pool. The four provincial Boards are in negotiations with all stakeholders in an effort to achieve a fully harmonized fluid pricing formula in the Western Milk Pool – one that generates stable, but enhanced returns to producers over the long term.

Federal Agriculture Minister Chuck Strahl has finally agreed to take action to invoke Article 28 of the World Trade Agreement to limit the amount of milk protein concentrate entering the Canadian market and eroding the demand for domestic milk and milk products. His further decision to establish compositional standards for cheese ingredients is also welcomed and long overdue.

A growing market demand along with some initiatives to curb imports and milk substitutes augers well for the future of the industry.

Milk Board members and staff look forward to working with you as we conclude the 2006-2007 dairy year, and enter the new dairy year with a measured degree of optimism.

QUOTA EXCHANGE

The eighth butterfat Quota Exchange of the 2006-2007 dairy year was conducted on April 16, 2007. There was no market-clearing price established for unused or used quota as there were no offers to purchase in either exchange. The results of the April 2007 Quota Exchange are outlined in the following Tables.

The next monthly Quota Exchange for the 2006-2007 dairy year will be held on May 15, 2007. All offers to sell and bids to purchase quota through the Quota Exchange must be received at the Board office by midnight, May 6, 2007. The Board recommends that offers and bids be submitted well in advance of the deadline date to ensure adequate time for corrections, if necessary.

Just a reminder to producers that when making bids on the Quota Exchange, the price on offers to sell quota is the minimum price that the producer is prepared to accept for that quota. Only if the market-clearing price is equal to or greater than the producer's minimum price will that producer qualify for participation in the Exchange.

Conversely, the price on offers to purchase quota is the maximum price that the producer is prepared to pay for that quota. Only if the market-clearing price is equal to or less than the producer's maximum price will that producer qualify for participation in the Exchange.

The clearing price is established at the price where the smallest difference exists between the accumulated volume offered for sale and the accumulated volume bid to purchase. To determine the clearing price of Total Production Quota, the bids to buy may be adjusted to five percent of annual production quota issued. This is necessary to avoid price distortion from excessively large bids.

TABLE I

UNUSED QUOTA EXCHANGE (per kilogram of butterfat)

Market Clearing Price per kilogram of butterfat	**$----**
Kilograms offered to Purchase – total	**0**
Kilograms offered to purchase at 5% adjustment	
Kilograms offered to Sell	**6,160**
Kilograms sold	**0**
Number of Producers	
- offered to purchase	**0**
- purchased quota	**0**
- offered to sell	**7**
- sold quota	**0**

UNUSED QUOTA EXCHANGE

Price ($/kg b.f.)	No. of Sellers	Cumulative Sellers	Kgs b.f. offered for sale	Cumulative sales	Cumulative Sales less Cumulative purchases	Cumulative purchases	Kgs b.f. offered to purchase	Cumulative Buyers	No. of buyers
67.00	1	1	1,000	1,000	1,000	0	0	0	0
69.00	1	2	500	1,500	1,500	0	0	0	0
70.00	4	6	3,060	4,560	4,560	0	0	0	0
72.00	1	7	1,600	6,160	6,160	0	0	0	0

TABLE II

USED QUOTA EXCHANGE (per kilogram of butterfat)

Market Clearing Price per kilogram of butterfat	**-----**
Kilograms offered to Purchase – total	**0**
Kilograms offered to Sell	**6,025**
Kilograms sold	**0**
Number of Producers	
- offered to purchase	**0**
- purchased quota	**0**
- offered to sell	**5**
- sold quota	**0**

USED QUOTA EXCHANGE

Price ($/kg b.f.)	No. of Sellers	Cumulative Sellers	Kgs b.f. offered for sale	Cumulative sales	Cumulative Sales less Cumulative purchases	Cumulative purchases	Kgs b.f. offered to purchase	Cumulative Buyers	No. of buyers
53.10	1	1	800	800	800	0	0	0	0
59.00	1	2	1,325	2,125	2,125	0	0	0	0
62.00	2	4	700	2,825	2,825	0	0	0	0
63.00	1	5	3,200	6,025	6,025	0	0	0	0

QUOTA SWAP EXCHANGE

The eighth Quota Swap Exchange of the 2006-2007 Dairy Year was conducted on April 16, 2007. There was no market-clearing price established (Table III).

The next monthly Quota Swap Exchange will be held on May 15, 2007. All offers to swap quota through the Quota Exchange must be received at the Board office by midnight, May 6, 2007. The Board recommends that offers and bids to swap be submitted well in advance of the deadline date to ensure adequate time for corrections, if necessary.

Just a reminder to producers that when making bids on the Quota Swap Exchange, the price on offers to swap out unused quota is the minimum price that the producer is prepared to accept for that quota. Only if the market-clearing price is equal to or greater than the producer's minimum price will that producer qualify for participation in the Quota Swap Exchange.

Conversely, the price on offers to swap in unused quota is the maximum price that the producer is prepared to pay for that quota. Only if the market-clearing price is equal to or less than the producer's maximum price will that producer qualify for participation in the Quota Swap Exchange.

The clearing price is established at the price where the smallest difference exists between the accumulated volume offered to swap out and the accumulated volume offered to swap-in.

TABLE III

QUOTA SWAP EXCHANGE (per kilogram of butterfat)

Market Clearing Price per kilogram of butterfat	**$——**
Kilograms offered to swap in	**——**
Kilograms offered to swap out	**——**
Kilograms swapped	**——**
Number of Producers	
- offered to swap in	**—**
- swapped in quota	**—**
- offered to swap out	**—**
- swapped out quota	**—**

QUOTA ADJUSTMENT APRIL 1, 2007

There were two quota increases to producers' Total Production Quota (TPQ) effective April 1, 2007.

First, there is a regular increase of approximately **0.267184%** effective April 1, 2007 arising from the upward triggering of the Canadian requirements formula. Secondly, there is a temporary growth allowance increase of approximately **0.158088% for the four month period April 1, 2007 to July 31, 2007.**

The regular increase is due to the strengthening market demand in Canada for butterfat used in several dairy products.

The temporary growth allowance increase is in addition to the regular quota increase, the intent being, to send a stronger signal to producers that additional production is required to rebuild depleted CDC butter stocks.

These quota increases will be reflected on the quota management sheets which are included in this mail out. Amended quota licenses will be sent in the near future.

CLASS I PRICE INCREASES – April 1, 2007 & May 1, 2007

The Alberta Cost of Production formula is the pricing mechanism for targeting the Western Milk Pool Class 1 price. The Alberta Energy and Utilities Board (AEUB) consider this formula a useful guide to assist it in the exercise of its discretion in prescribing the minimum price of Class 1 milk. On March 15, 2007, the AEUB announced the price for Class 1 milk in Alberta would increase by $0.98 per hl. effective April 1, 2007. Further, on April 11, 2007 the AEUB announced the price for Class 1 milk in Alberta will increase by $0.98 per hl. effective May 1, 2007. Accordingly, Saskatchewan increased the Class 1 price by $0.98 per hl. effective April 1, 2007 and will increase the Class 1 price by $0.98 per hl effective May 1, 2007. Some cost factors contributing to the price increases were Alberta dairy feed, fuel and utilities increases.

BUTTERFAT PRODUCTION AND COMPONENT PRICING, March 2007

Butterfat production for March 2007 totalled approximately 715,907 kilograms. This was approximately 3.20% lower than March 2006 shipments. **For the first eight months of the 2006-2007 dairy year, Saskatchewan's allocation of Total Production Quota totalled**

approximately 5,519,113 kilograms. For the first eight months, the province has shipped 97.97% of that amount. The weighted average component tests and prices for the province in March are indicated in Table V.

SASKATCHEWAN MILK POOL RESULTS March 2007

TABLE IV

Milk Sale Revenue	$ 13,188,771.57
Western Milk Pool	$ -298,887.57
Dairy Farmers of Canada Skim Off	$ - 20,602.89
Plant of Last Resort Service	$ -56,997.32
Total Pool Value	**$ 12,812,283.79**

TABLE V

Components	Average Test	Price per kilogram Class 1 to 5
Butterfat	3.7824	$10.098035
Protein	3.3246	$ 7.098035
Other Solids (S.N.F.)	5.6941	$ 1.036067

Based on the average component tests for the province, the average price received was $67.6924 per hectolitre. The average butterfat price received per kilogram was $17.90.

Over quota (4m) holdings are $1,533,176 for the first eight months of the 2006/2007 dairy year.

ACCOUNTING VALUES FOR CLASSES OF MILK – April 2007

TABLE VI

	Butterfat ($/kg)	**($ per hl. Skim milk)**	
Class 1a	$5.3000	$55.51	
Class 1b	$5.3000	$55.51	
Class 1c	$5.3000	$44.50	
	Butterfat ($/kg)	**Protein ($/kg)**	**Other Solids ($/kg)**
Class 2	$7.2333	$5.4013	$5.4013
Class 3a	$7.2333	$12.6330	$0.8428
Class 3b	$7.2333	$12.4025	$0.8428
Class 4a, 4b, 4d & 4d(i)	$7.2333	$5.0219	$5.0219
Class 4a(i)	$7.2333	$1.7000	$1.7000
Class 4c	$7.2333	$4.3370	$4.3370
Class 4m	$0.00	$0.00	$0.00
Class 5a	$3.3841	$5.8840	$1.1104
Class 5b	$3.3841	$2.4147	$2.4147
Class 5c	$3.3740	$2.0000	$2.0000
Class 5d	**As determined by**	**the CDC**	

Report on Spring Producer Meetings – Gerry Gartner, C.E.O.

The spring round of producer meetings were very well attended, with much interest in all items presented by the Milk Control Board. The purpose of this report is to provide those who were unable to attend with a brief overview of the information provided.

1. Market prospects and production response

The market demand for most milk and milk products has experienced a gradual turnaround, with moderate growth expected over the foreseeable future. The demand is further strengthened by the sharp decline in CDC butter stocks, and an urgent need to start rebuilding these stocks in anticipation of the high seasonal demand expected this fall. As a result, the market requirements formula has triggered a quota increase effective April 1, 2007 to signal increased production to serve this improved demand situation. In addition, the CDC and provinces have agreed to issue a temporary industrial quota increase to the end of this Dairy year as a further incentive to increase production to ensure the system does not short the fall butter market.

While provincial production got off to a slow start, it did manage to achieve its first six month 97% requirement by producing 97.21% of its quota allocation.

Considerable time was spent at the meetings reviewing production prospects for the last six month period, and the quota management procedures that apply to the end of the current Dairy Year. Early forecasts point to the province filling all of allocated quota. However, that forecast can be influenced by weather conditions and other factors which may arise over the next four months. Producers were urged to focus on the monthly production information included in the Update as we approach the end of the Dairy Year. The accuracy of these forecasts naturally improves as we move closer to Dairy Year-end.

2. Milk Component Pricing

Producers were presented with a full explanation of how monthly component prices are derived and the factors which influence these prices from month to month. The key factors which determine milk component prices are:

- monthly revenues received from or contributed to the Western Milk Pool;
- how processors utilize the milk received in the various classes with different component values(e.g. cheese vs. fluid); and
- funds received from Special Classes (low value) produced on a national basis.

For a more detailed explanation of how monthly component prices are determined, please refer to the February edition of the Update.

3. Compensation Issues Regarding Dumped Milk

The Milk Control Board outlined a number of issues and questions regarding the potential compensation of producers incurring circumstances where milk was dumped at the farm. Foremost among these concerns is the Board's current lack of authority to reallocate funds from the producer revenue pool to producers in a dumped milk situation.

The January blizzard has raised industry awareness of the need to be more vigilant in the event of a disaster (regardless of its source). In an effort to minimize the impact of disasters or pandemics on the industry, the Board has drafted operating guidelines to follow so industry stakeholders can respond more effectively to their occurrence. A first draft has been discussed with DFS and Agrifoods International Cooperative Limited. A future meeting to clarify and expand on these guidelines will involve all stakeholders so that enhanced communication and coordination is achieved throughout the industry in response to any disruptions.

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Western Canadian
LIVESTOCK
EXPO

You are cordially invited to attend 2007 Western Canadian Livestock Expo complimentary ***FARMYARD LUNCH*** *sponsored by* Dairy Farmers of Saskatchewan, Farm Credit Canada, Co-op Feeds, Catons and FeedRite.

Schedule of Events

Wednesday April 25

7:00 a.m. – 8:30 a.m.	Exhibitor Breakfast
10:00 a.m.	Youth Dairy Show
11:00 a.m. – 1:00 p.m.	Farmyard Lunch
1:30 p.m.	Sale, contact Rod York (306) 873-7428 for information

Thursday, April 26

7:00 a.m. – 8:30 a.m.	Exhibitor Breakfast
8:00 a.m.	Holstein & Jersey Junior Heifer show
12:00 p.m.	Holstein & Jersey Shows – featuring the Super Cow competition

Trade Show Hours
Wednesday, April 25 from 10:00 a.m. to 5:00 p.m.
Thursday, April 26 from 9:00 a.m. to 5:00 p.m.

For information, prize list and entry forms online visit: www.saskatoonex.com or phone 931-7149 or 1-888-931-9333.

QUOTA MANAGEMENT PROFILE

Please find enclosed your quota management profile for March, 2007 (inclusive of April 1 quota increases). This profile indicates the percentage of each producer's quota allocation utilized as well as the kilograms of butterfat produced by these shipments.

For the 2006-2007 dairy year, the Board will continue to provide this information on a monthly basis. We hope this information will assist producers with their management decisions regarding the utilization of their butterfat quota.

If you have any questions concerning the information provided, please contact our office.

QUOTA LISTING SERVICE

The Board offers a free quota listing service as part of its Newsletter. Anyone wishing to sell or purchase quota and/or cows, or swap quota is welcome to contact the Board office at (306) 787-5319. All prices and negotiations will be independent of the Milk Control Board.

Want to swap used for unused quota (swap in)

- Margaret Ford approximately 1500-2000 kgs (306) 782-7240
- Mike Stiefel approximately 1000-2000 kgs (306) 771-4777
- Ken Ferch (306) 736-2205
- David @ Earview Colony (306) 672-3516
- Levi @ Bench Colony (306) 297-3270
- Ken (306) 229-4591 or Ed (306) 227-9432
- Keith Thoner (306) 259-2171
- Stan Sinclair or Jayden (306) 332-4220
- Dan @ Pennant Colony (306) 626-3215 Ext. 260 or Ext. 223
- Danny Hofer approximately 200 kilograms (403) 502-9997
- Joe – West Bench Colony (306) 295-4135
- Alvin Schultz (306) 254-4301
- Mike @ Webb Colony (306) 674-2236
- Roger Genoway (306) 593-2289

Want to swap unused for used quota (swap out)

- Jim Gorrill (306) 725-4828
- James Hein (306) 365-3209

Wanted to Buy

Looking to purchase a dairy operation of about 50 – 60 cows on 300 – 400 acres. Phone Henry McBride (613) 587-4486.

For Sale

- 7, 000 kilograms of quota for sale – transfer date August 1, 2007 – contact Loren Ollenberger – (306) 753-3330

- Quota for sale – contact Murray Lockert @ (306) 762-2102.

- Alfalfa hay bales 1,400 pounds – young crop. Hay located in Tessier, Saskatchewan. Contact Carol Robbins (403) 859-2097

- Complete dairy farm, machinery, 16,309 kilograms of quota and 80 cows. Will consider selling only cows and quota. Phone (306) 795-2976

- 2006 first cut alfalfa – 400 round bales 1500 -1600 pounds each. Feed tests available. Also, first cut alfalfa grass – 400 round bales 1500 -1600 pounds each. Feed tests available. Delivery available. Contact Ray Kostiuk @ (306) 595-4663.

- 21,114 kilograms of quota, with or without cows. Phone (306) 764-7865 or (306) 764-1017.

- Bred heifers for sale. Contact Chad or Dennis @ (306) 598-2054.

- 300 second cut round alfalfa bales 19.4% protein. $60/tonne. Have feed tests available. Can arrange delivery. Contact Bob Tweedie (306) 493-2716. Delisle, Saskatchewan.

- 15,000 kilograms used quota for sale. Contact Ken Ferch @ (306) 736-2205

- Hay for Sale – 250 round, 90% alfalfa, 10% Italian rye, 1st and 2nd cut, from irrigated land. 133 – 138 RFV. Call Ray at (306) 858-2636.

Looking for work on dairy farm

Young BC couple seek work together on dairy farm. Have experience and will consider all options. Call (250) 337-5595 or email angus.l.e.halliday@hotmail.com

MILK CONTROL BOARD MEMBERS

Leonard Blocka, Chairman	Dairy producer
Dr. David Christensen	Dairy researcher/professor U of S
Joseph Guenther	Dairy producer
David Finlay	Dairy producer
Garf Stevenson	Consumer representative
Joanne Mortenson	Processor representative

For further information, please contact the Saskatchewan Milk Control Board office.

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